

# Hera Group **Q1** results

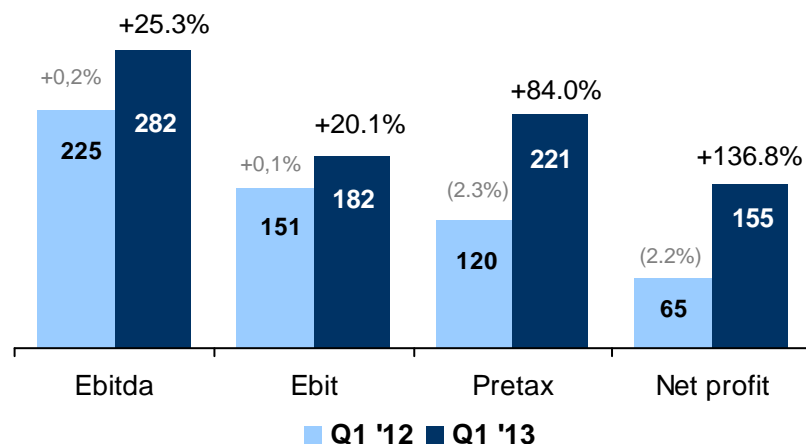
**A**nalyst **P**resentation

15<sup>th</sup> May 20**13**



# Q1 2013: First picture of Acegas Aps consolidation

## Q1 Result Highlights



Hera strong growth in all main financial targets driven by the **Acegas Aps consolidation in Q1 '13** (42m€ Ebitda) and by the organic growth of Hera (+15m€ Ebitda).

**Positive performance in waste, water and gas operations on “like for like basis”.** Pretax profit benefits from accounting extraordinary earnings related to Acegas Aps merger (according to IAS accounting principle).

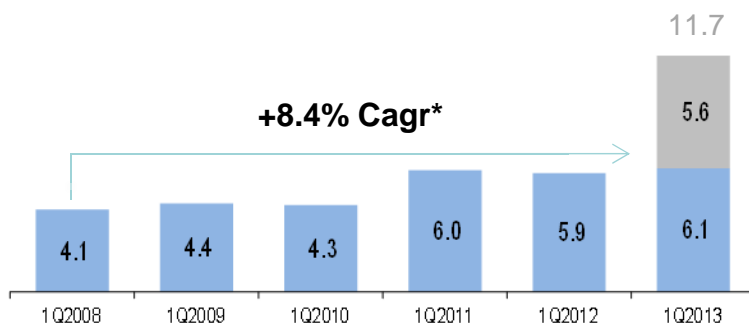
**Commercial expansion** (Energy and Waste) and **cost control confirmed positive contribution also in Q1 2013.**

**Capex slightly decreased** to 54m€ (including 9.6 m€ of Acegas Aps) compared to 71 m€ of Q1 '12 (Hera and Acegas Aps combined).

Positive cash generation **reduced financial debts** to 2,612m€ from 2,686m€ (Hera and Acegas combined as at 31/12/2012).

## Q1 EPS constant growth

(€ cent)



\* Normalising Net profit Q1 '13 from extraordinary earnings related to Acegas Aps merger.

# Q1 '13: Strong growth even on “Proforma” basis

Lower volume traded, higher tariffs, and market expansion.

Normalised Q1 '13 tax rate ~41.3%.

	Q1 '12	Q1 '13	Ch. %
Revenues	1,414.8	1,499.4	+6.0%
Ebitda	224.7	281.5	+25.3%
<i>Ebitda Margin</i>	<i>15.9%</i>	<i>18.8%</i>	
D&A	(73.4)	(99.7)	+35.8%
Ebit	151.4	181.8	+20.1%
<i>Financial charges</i>	<i>(29.3)</i>	<i>(32.7)</i>	<i>+11.4%</i>
<i>IAS (figurative)</i>	<i>(3.1)</i>	<i>(3.4)</i>	<i>+9.7%</i>
<i>Financial income</i>	<i>1.4</i>	<i>1.8</i>	<i>+28.6%</i>
<i>Extraordinary income</i>	<i>0.0</i>	<i>73.8</i>	
Pre tax Profit	120.3	221.4	+84.0%
Tax	(50.6)	(60.9)	+20.4%
<i>Tax rate</i>	<i>-42.0%</i>	<i>-27.5%</i>	
Net income	69.8	160.5	+130.0%
<b>Net profit post min.</b>	<b>65.3</b>	<b>154.6</b>	<b>+136.8%</b>

Financial charges increased due to Acegas Aps merger, (4.3m€) partially offset by Hera's lower charges.

Acegas Aps merger determined accounting of the difference between price paid and net Equity value (IAS principle).

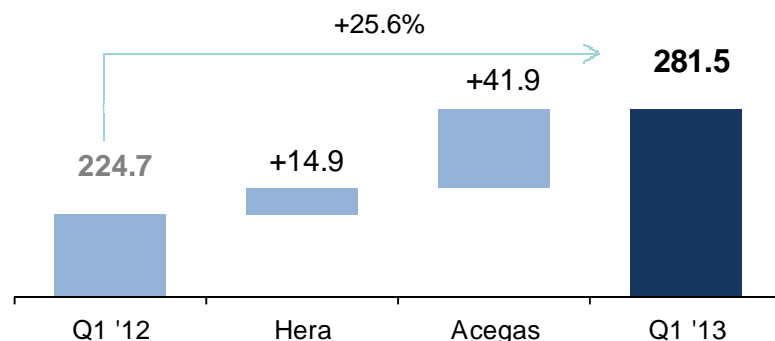
## PROFORMA (H+Acegas Aps)

	Q1 '12	Q1 '13	Ch. %
Revenues	1,597.8	1,499.4	(6.2%)
Ebitda	260.0	281.5	+8.2%
Ebit	169.7	181.8	+7.2%
Pre tax Profit	133.7	221.4	+65.6%
Net income	76.8	160.5	+109.0%
Net profit post min.	72.3	154.8	+113.9%

# Ebitda growth both in Hera and Acegas Aps

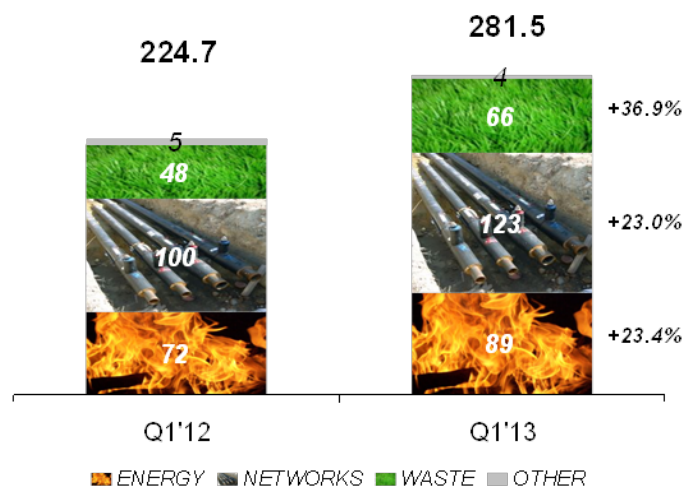
## Ebitda growth by legal entity

(m€)



## Ebitda by strategic area

(m€)



## Ebitda margin up to 18.8% (from 15.9%)

- **Growth** fuelled by better margins offsetting lower volumes in all commodities.
- **Market expansion progressing** reaching 550k customers in electricity (plus about 120k customers of Acegas Aps) and increased waste volumes from third parties (+41k tons of special waste related to Hera stand alone).
- **Regulated activities** performed in line with expectation, especially water.
- **Acegas Aps Ebitda increased by +19%** in first quarter (+6.7m€) mainly in gas, water and waste activities.

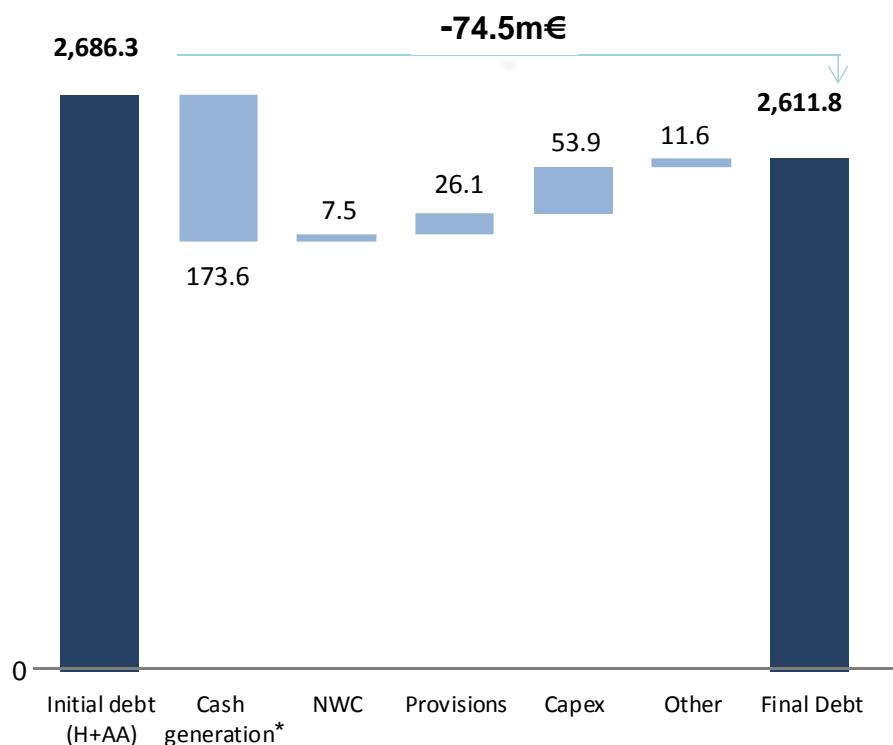
## All main strategic areas posted positive growth.

- **Mix regulated/liberalised** re-confirmed the **good balancing** (about 50% regulated in line with Q1 '12).

## Positive operating cash flows reduce net debt

### Q1 2013 Debt change

(m€)



**Increased cash generation** Q/Q fully funded seasonal effects on working capital and capex reducing debt by 74.5 m€

**Acegas Aps** net debt **increased** by **20.5m€** to 490m€ as at 31/3/'13 (from 470m€ as at 31/12/'12). **Hera net debt decreased** by **95m€** mainly thanks to lower capex and increasing operating cash flows.

### Capex

(m€)

M €	Q1 '12	Hera	Acegas	Q1 '13
Waste	8.7	7.5	0.4	7.9
Water	20.3	12.3	2.9	15.2
Gas	7.6	2.5	2.8	5.3
Electricity	6.2	1.2	1.1	2.3
Other & Holding	16.1	10.9	2.4	13.3
<b>Capex</b>	<b>58.9</b>	<b>34.4</b>	<b>9.6</b>	<b>44.0</b>
Investments	0.0	10.0	0.0	10.0
<b>Capex &amp; Inv.</b>	<b>58.9</b>	<b>44.4</b>	<b>9.6</b>	<b>53.9</b>

\* Net profit+Depreciations +adjust. for non cash items (such as "Extraordinary income" and IAS fig. interests)

# Waste: confirming positive recovery in Special waste volumes

## Financial highlights

M €	Q1 '12	Q1 '13	Ch. %
Hera Revenues	172.5	174.0	+0.9%
Hera Ebitda	48.0	54.3	+13.0%
Acegas Aps Ebitda		11.4	
<b>Group Ebitda</b>	<b>48.0</b>	<b>65.6</b>	<b>+36.7%</b>

## Hera stand alone data

Waste volume	Q1 '12	Q1 '13	Ch. %
Urban Waste	392.4	385.9	(1.7%)
Special Waste	334.3	375.1	+12.2%
<b>Waste from market</b>	<b>726.7</b>	<b>761.0</b>	<b>+4.7%</b>
Internal W. Volumes	374.4	627.0	+67.5%
<b>Total Volume Treated</b>	<b>1,101.1</b>	<b>1,388.1</b>	<b>+26.1%</b>
of which:			
Landfill treatments	245.7	234.3	(4.6%)
WTE treatments	234.5	278.2	+18.6%
Sorting plant treatments	72.3	87.1	+20.5%

**Group Ebitda** increased thanks to M&A, higher special waste volumes (+41K tons) and higher renewable electricity production (from 170 to 258 GWh). Cost cutting activities are providing the expected return.

WTE treatment capacity was exploited at full operating capacity and sorted collection increased to 53% (from 50% Q1 '12). New bio-digesters capacity (2MW) fully on stream end Q1 '13.

**Q1 '13 Acegas contribution in volumes\***: Urban waste (60k tons), WTE treatments (by 81.8k tons). Ebitda good performance relates to WTE management.

\*to be added to Hera stand alone data

# Water: tariff framework underpinned results

## Financial highlights

M €	Q1 '12	Q1 '13	Ch. %
Hera Revenues	138.4	136.8	(1.2%)
Hera Ebitda	36.1	39.9	+10.6%
Acegas Aps Ebitda		12.3	
<b>Group Ebitda</b>	<b>36.1</b>	<b>52.2</b>	<b>+44.8%</b>

**Group Ebitda increase** underpinned by new tariff framework and M&A.

**Volumes (-5%) and New connections** still affected by negative macro scenario.

**New transitory tariff system** (2012-2013) progressively entering at regime.

## Consolidated data

Acqueduct volumes	Q1 '12	Q1 '13	Ch. %
Hera	58.3	55.0	(5.6%)
Acegas	13.7	13.0	(5.1%)
<b>Group</b>	<b>72.0</b>	<b>68.0</b>	<b>(5.5%)</b>

**Full cost structure under tight control** also thanks to the new divisional organisation.

## Financial highlights

M €	Q1 '12	Q1 '13	Ch. %
Hera Revenues	706.9	653.7	(7.5%)
Hera Ebitda	114.4	119.2	+4.3%
Acegas Aps Ebitda		15.3	
<b>Group Ebitda</b>	<b>114.4</b>	<b>134.5</b>	<b>+17.6%</b>

**Revenues reflect reduced trading volumes** as a consequence of general economic condition and lower operating rate of thermal plants.

**Volumes sold to final clients** slight decreased because of winter season weather conditions and reduced activity in the “service industry segment”.

**Customer base: 1,115k** (in line with Q1 2012) as of Hera in addition to ~110k clients of Acegas Aps subsidiary (Est Energy).

## Consolidated data

Volumes	Q1 '12	Q1 '13	Ch. %
Distribution (mm <sup>3</sup> )	1,384.0	1,380.0	(0.3%)
Hera	1,132.0	1,133.0	+0.1%
Acegas Aps	252.0	247.0	(2.0%)
Sales (mm <sup>3</sup> )	1,518.2	1,314.3	(13.4%)
Hera	1,410.2	1,217.3	(13.7%)
Acegas Aps *	108.0	97.0	(10.2%)
District Heating (Gwht)	266.7	265.3	(0.5%)

\*51% Est Energy

**Ebitda** increase mainly driven by margins in commercial activities, thanks to effective procurement strategy and Acegas Aps consolidation.



# Electricity: market expansion continues

## Financial highlights

M €	Q1 '12	Q1 '13	Ch. %
Hera Revenues	433.7	403.3	(7.0%)
Hera Ebitda	21.4	22.2	+3.9%
Acegas Aps Ebitda		2.7	
<b>Group Ebitda</b>	<b>21.4</b>	<b>24.9</b>	<b>+16.6%</b>

**Revenues** affected by lower consumptions as a consequence of negative macro scenario. Negative effect partially compensated by commercial expansion.

**Customer base** further increased (Hera stand alone 12 months increase: +50k clients) to **above 550k** to be added to Acegas Aps about 120k customers.

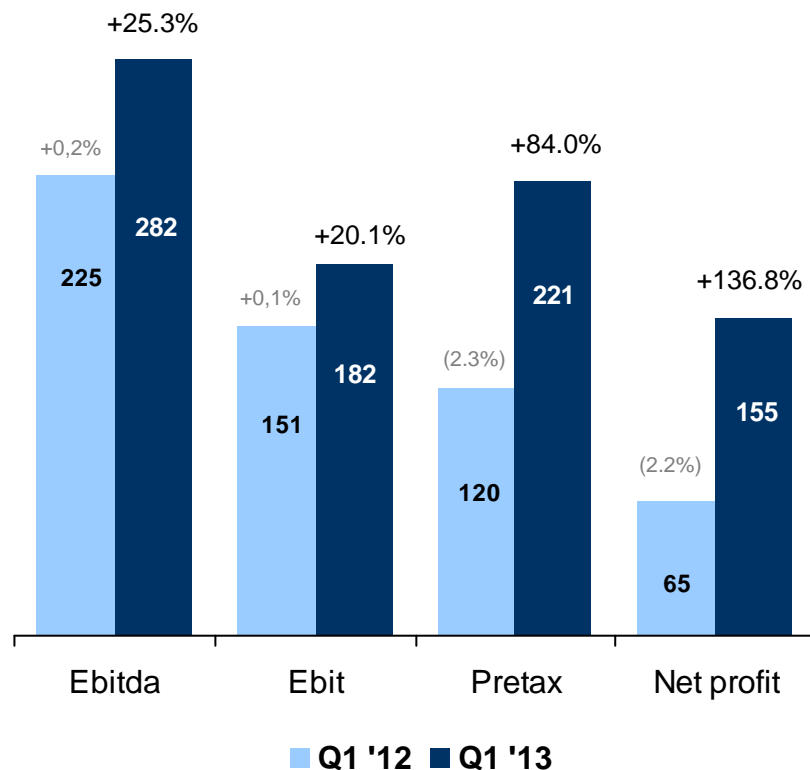
## Consolidated data

Volumes	Q1 '12	Q1 '13	Ch. %
Volume sold (GWh)	2,862.3	2,439.5	(14.8%)
<i>Hera</i>	2,612.3	2,305.5	(11.7%)
<i>Acegas Aps</i>	250.0	134.0	(46.4%)
Volume distrib. (GWh)	771.4	751.1	(2.6%)
<i>Hera</i>	561.4	553.1	(1.5%)
<i>Acegas Aps</i>	210.0	198.0	(5.7%)

**EBITDA** reflects good performance of commercial activities as well as regulated distribution activities.

**Limited impact of production operations.**

## Q1 Result Highlights



In difficult scenario, **proactive marketing approach and M&A contributed** to enhance value creation (**normalised EPS** 5 year cagr about 8.4%).

Cost reduction and normalised gas trading activities **enhanced** operating margins (**Ebitda margin at 18.9%** from 15.9% of Q1'12).

**Acegas Aps aggregation activities progress well** and, following acquisition of 98.7% of share capital, the stock was delisted (on 3<sup>rd</sup> May).

**Performance in April confirm quarter's trends of all liberalised activities.**

**DPS of 9 € approved by AGM** and will be paid on the 6<sup>th</sup> of June.

## Q&A session



# Proforma Profit and Loss accounts

Proforma	Q1 '12	Q1 '13	Ch. %
Revenues	1,592.5	1,499.4	(5.8%)
operat. costs	(1,217.0)	(1,096.9)	(9.9%)
personnel	(120.8)	(124.1)	+2.7%
capitaliz.	5.4	3.1	(42.7%)
Ebitda	260.1	281.5	+8.2%
D&A	(90.4)	(99.7)	+10.3%
Ebit	169.7	181.8	+7.2%
<i>Net financial charges</i>	(36.0)	(34.3)	(4.7%)
<i>Extraordinary income</i>		73.8	
Pre tax Profit	133.7	221.4	+65.5%
Tax	(57.0)	(60.9)	+6.9%
<i>Tax rate</i>	-42.6%	-27.5%	
Net income	76.8	160.5	+109.0%
<i>Minorities</i>	(4.5)	(5.9)	+31.8%
Net profit post min.	72.3	154.6	+113.8%